

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



January 14, 2011

CSS LETTER: 11-01

ALL IV-D DIRECTORS
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL BOARDS OF SUPERVISORS

SUBJECT: FAIR AND ACCURATE CREDIT TRANSACTION ACT - FURNISHER
RULES AFFECTING CREDIT REPORTING

The purpose of this letter is to make Local Child Support Agencies (LCSAs) aware of new responsibilities resulting from changes to the Fair and Accurate Credit Transaction Act of 2003 (FACT Act). These changes allow consumers to file a credit reporting dispute directly with the furnisher of credit information.

BACKGROUND

Currently, LCSAs subscribe to the Online Solution for Complete and Accurate Reporting (e-OSCAR), and use the web-based automated system to electronically respond to consumer credit history disputes provided by the Consumer Reporting Agencies (CRA). If a consumer notifies the LCSA of a credit dispute, the LCSA instructs the consumer to file a formal dispute with the CRA. The CRA then submits the dispute to the LCSA using e-OSCAR's Automated Credit Dispute Verification functionality. The LCSA researches the dispute and responds to the CRA via the same product.

On July 1, 2009, Final Rules were published implementing accuracy, integrity, and direct dispute provisions in section 312 of the FACT Act. The new provisions, effective July 1, 2010, implements the new requirements for responding to direct disputes. This new dispute practice is in addition to disputes filed through the CRA and processed through e-OSCAR.

NEW REQUIREMENTS

The new direct dispute provision requires Furnishers to respond directly to consumers who submit disputes directly to the Furnisher, rather than referring the dispute and consumer to the CRA. A Furnisher is an entity that furnishes information relating to consumers to one or more CRA. Specifically, a Furnisher must conduct a reasonable investigation of a direct dispute that involves the accuracy of information provided by a Furnisher to a CRA. Previously, there was no requirement in the Fair Credit Reporting

Reason for this Transmittal

- ☐ State Law or Regulation Change
- ☐ Federal Law or Regulation Change
- ☐ Court Order or Settlement Change
- ☐ Clarification requested by One or More Counties
- ☒ Initiated by DCSS

Act for a Furnisher to conduct an investigation of information furnished to a CRA unless the request was made through the CRA.

Now consumers may submit a dispute directly to any business address of the Furnisher. The dispute must include:

- Sufficient information to identify the account or parties involved.
- An explanation of what the dispute is about.
- Supporting documentation reasonably required by the Furnisher to substantiate the dispute (i.e., a court order, account statements, fraud or identity theft affidavit).

Once the Furnisher receives a dispute, they must review all relevant information provided by the consumer and complete a reasonable investigation; including a report of results to the consumer within 30 calendar days. A 15 day extension may be allowed due to the receipt of additional relevant information from the consumer.

Depending upon the specific dispute raised by the consumer, reasonable investigative activities may include, but are not limited to the following:

- Confirm that all payments have been posted accurately.
- Compare the current court order to the charging instructions to ensure accuracy.
- Verify that relevant intercepts were applied to the account.
- Confirm any court order modifications were applied.
- Confirm whether arrears converted correctly.
- Review payment history.
- Verify emancipation dates.

If the investigation indicates that the information reported by a Furnisher was inaccurate, the Furnisher must promptly notify each CRA to which it provided the information and correct it. LCSAs will continue to use e-OSCAR to notify the CRAs.

A Furnisher is not required to investigate a direct dispute if the Furnisher has reasonably determined that the dispute is frivolous or irrelevant, e.g., consumers who refuse to acknowledge the Department of Child Support Services' (DCSS) statutory authority to report credit status or a repeated request to re-investigate a dispute from a consumer who is dissatisfied with the verified results of prior investigations. If a dispute is determined to be frivolous or irrelevant, the Furnisher must notify the consumer of the determination no later than five (5) business days after making the determination.

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A workgroup comprised of LCSA and DCSS representatives developed procedures to ensure statewide consistency in complying with this new provision. The Statewide Training Branch is in the process of developing webcast training on this subject and will announce the training schedule in the near future. A "Credit Reporting Dispute" Quick Reference Guide will also be posted on CA Child Support Central at <https://central.dcss.ca.gov/CCSASHelp/Enforcement/Forms/AllItems.aspx>

If you have any questions or concerns regarding this matter, please contact Rick Bermudez at (916) 464-5883.

Sincerely,

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BILL OTTERBECK
Deputy Director